

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

SB 783 - HB 1204

March 18, 2021

SUMMARY OF ORIGINAL BILL: Authorizes any amount of sales and use taxes collected within 0.25 miles of the center point of a new minor league baseball stadium, in excess of the sales and use tax collections generated in the same area in FY19-20, to be allocated to the entity that is responsible for retirement of the debt on and maintenance of the stadium in the municipality, if the stadium is placed in service after December 31, 2020, and on or before December 31, 2025.

FISCAL IMPACT OF ORIGINAL BILL:

Decrease State Revenue – Exceeds \$131,200/FY23-24 and Subsequent Years

Foregone State Revenue – Exceeds \$262,300/FY23-24 and Subsequent Years

Increase Local Revenue – Exceeds \$393,500/FY23-24 and Subsequent Years

SUMMARY OF AMENDMENT (004642): Deletes and replaces all language after the enacting clause such that the only substantive change is to exclude allocation of funds from current businesses within the 0.25-mile radius that generated more than \$5,000 in state and local sales tax revenue in FY20-21.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Foregone State Revenue – Exceeds \$262,300/FY23-24 and Subsequent Years

Increase Local Revenue – Exceeds \$262,300/FY23-24 and Subsequent Years

Assumptions for the bill as amended:

- The proposed legislation will apply to three counties: Davidson, Knox , and Shelby. However, based on Fiscal Review Committee staff research, only the new Tennessee Smokies stadium in Knoxville will meet the requirements of this legislation and qualify for the proposed allocation.
- Pursuant to Tenn. Code Ann. § 67-6-103(d)(1)(A)(iii), the entity that is responsible for retirement of the debt on and maintenance of the Knoxville stadium would qualify,

under current law, for the allocation of state and local sales tax revenue equal to the amount of state and local tax revenue derived from the sale of admissions to Tennessee Smokies games, and also the sales of food and drinks sold on the premises of the stadium used in conjunction with those games, parking charges, and related services, as well as the sales by the franchise, within Knox County, of authorized franchise goods and products associated with its operations as a professional sports franchise less local taxes collected in the year preceding the new stadium occupancy.

- Pursuant to Tenn. Code Ann. § 67-6-103(d)(1)(A)(v), the state sales tax rate subject to such apportionment is 5.5 percent. The rate of apportionment to local government pursuant to the state-shared allocation is estimated to be 4.603 percent.
- The new Tennessee Smokies stadium is assumed to be placed into service by July 1, 2023. Therefore, the first year impacted by this legislation will be FY23-24.
- The current development plans entail a \$142,000,000 mixed-use development in Knoxville's Old City area, anchored by a new \$65,000,000 ballpark for Tennessee Smokies. The mixed-use development is to feature 630,000 square feet of residential space, restaurants, and retail in the ballpark vicinity.
- It is assumed that all such development will take place in the absence of this legislation.
- Any fiscal impact associated with any such new business activity is considered foregone state revenue and an equivalent increase in local revenue as this revenue is currently not collected by state or local governments. Any fiscal impact associated with currently existing businesses is considered a decrease in state revenue and an equivalent increase in local revenue.
- Based on Fiscal Review Committee staff research, there are at least 10 current establishments that are within the 0.25-mile range that generate significant sales and use taxes; however, based on information from DOR all businesses within the 0.25 radius are estimated to exceed \$5,000 in sales and use tax liability in FY20-21. Therefore, no decrease in state revenue will occur.
- The number and type of new establishments, as well as their associated taxable sales, that will be placed into service within the 0.25-mile radius as part of the development of the area that will take place in the absence of this legislation is unknown.
- However, it is reasonably estimated that at least five new establishments with at least \$1,000,000 in annual taxable sales will become operational by July 1, 2023.
- Therefore, the recurring amount of foregone state revenue and corresponding increase in local revenue, beginning in FY23-24, is estimated to exceed \$262,342 $[(\$5,000,000 \times 5.5\%) - (\$5,000,000 \times 5.5\% \times 4.603\%)]$.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Krista Lee Carsner, Executive Director

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